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THE PHILADELPHIA GAS WORKS: A MODERN INSTANCE.

ON November 12, 1897, Mayor Charles F. Warwick, by giving his official approval to the ordinance providing for the leasing of the Philadelphia gas works to the United Gas Improvement Company for a period of thirty years, consummated a series of events which, when considered as a whole, may be regarded as a modern instance of the overpowering influence of rich and powerful corporations over the scruples, better judgment, and previously expressed opinions of public officials.

On June 4, 1896, the common council of Philadelphia passed the following resolution relative to the sale of the gas works:

WHEREAS, The mayor and director of public works have advocated and formulated a comprehensive plan for the reconstruction of the gas works at an estimated cost of one million five hundred thousand dollars (\$1,500,000), with the statement that the result of such work can and will be followed by an increased supply and great improvement in the quality, with a reduction to seventy-five (75) cents per 1000 feet; and

WHEREAS, The finance committee in approval of this much needed improvement has passed favorably an item of one million (\$1,000,000) dollars for said work in the loan bill; therefore be it

Resolved, by the select and common councils of the city of Philadelphia, that they view with disfavor any proposition to place this valuable plant in the hands of a corporation, thereby establishing a monopoly of this necessity, and placing the people at the mercy of such corporation; and be it further

Resolved, That councils approve of the plan to increase the facilities of these works and to maintain the plant as the property of the city.

In the face of this emphatic and unqualified expression of opinion, the same body on November 8, 1897, less than a year and a half after the above action had been taken, passed, by a vote of seventy-nine to fifty-one, an ordinance leasing the same gas works to the United Gas Improvement Company, a corporation that offered the city by far less favorable terms than any

other competing company. On November 8, 1897, while the ordinance was under consideration, a syndicate of responsible capitalists and experienced gas manufacturers offered the city a bonus of \$10,000,000 (\$1,000,000 the first year and \$300,000 each succeeding year) for the same lease as was provided for in the United Gas Improvement ordinance.

The question at once arises, Why did the members of common council, representing as they did nearly a million and a quarter of citizens of Philadelphia, vote to give away the gas works to a syndicate of capitalists for ten millions of dollars less than another bidder was ready and willing to offer at the same time? Had they received unmistakable instructions from their constituents to make such a one-sided bargain, or was there such a crisis in the management of the works as to make such a sacrifice amounting to \$10,000,000 imperatively necessary?

Emphatically *no*. The people in town meeting assembled had declared in no uncertain terms that the gas works should be retained. At a score of ward meetings held in all sections of the city and in every instance largely attended the citizens had declared against the parting with the gas works on any terms. Municipal reform organizations, patriotic societies, and labor unions protested against the lease, and in one ward, where the question was submitted to an informal vote at the general election held on November 2, over 2,800 voted against leasing and but thirty-two in favor. In spite of the almost unanimous expression of public sentiment against the gas lease, the United Gas Improvement Company's ordinance was rushed through the subcommittee and the joint committees of finance and gas with such indecent and indecorous haste that the Municipal League in one of its addresses on the subject was justified in saying:

"Although the proposed United Gas Improvement Company's lease has been materially improved as a result of public criticism and discussion, it is still far from adequate to protect the city's interest, as its critics, including the city solicitor, have pointed out, and the United Gas Improvement Company's proposition is far less advantageous than that of other responsible Pennsylvania

corporations. Why, then, should there be such undue haste? If a month's consideration has resulted so advantageously to the city, is it not fair to assume that a still further and more careful discussion would result in still greater concessions to the city? To answer this question other than by an emphatic affirmative corroborates the charges that have been openly and publicly made by men of the highest standing¹ and by responsible newspapers that improper influences have been at work to secure a speedy acceptance of the offer of the United Gas Improvement Company.

"The attitude of the majorities of the subcommittee and the joint committee of finance and gas in forcing the consideration of the United Gas Improvement Company's ordinance; the refusal to allow the people to vote on the question of leasing; the grossly unfair character of the report of Henry Clay as chairman of the subcommittee, in which he suppresses all reference to certain important testimony against the leasing of the works and elaborates all that was presented in favor of leasing and against municipal ownership; the practical ignoring of all other offers; the stolid persistency with which the majority of the joint committee refused every reasonable request for further time and careful consideration and for a full transcript of all the testimony produced before the subcommittee; and the recollection of the scandalous disclosures in connection with the passage of the Mutual Automatic Telephone Company's ordinance—all tend to strengthen the conviction that has been growing in the public mind that the charges already referred to are not without substantial foundation.

"Taking up the report of the chairman of the subcommittee, which reads more like the brief of a paid advocate of the United Gas Improvement Company than the calm and impartial review

¹ Hon. Wayne MacVeagh in his speech at the Academy of Music said that every councilman who voted for the ordinance would go through life with the brand on his forehead "Bribed by the rich to rob the poor;" and Peter Boyd, Esq., a well-known lawyer, deliberately charged that there had been a conspiracy between the company and certain city officials by which the plant was allowed to run down and deteriorate in efficiency.

of the whole situation by a representative of the city, conscientiously striving to do his sworn duty, we find, etc."

The same undue haste was shown in both chambers of councils; in common council no arguments were presented by those favoring the lease; to every appeal for further time and a fuller consideration the reply of its advocates was, "We have the votes," and the moving of the previous question. Before common council had passed the ordinance on Monday, a special meeting of select council was called for Tuesday; in the latter body the lease's principal advocate devoted the larger part of his address to an attack on those who had been active in opposing the lease, especially the officers of the Municipal League, and I could continue this enumeration of incidents of the passage of the ordinance through its several stages if it were necessary, all tending to show a disregard, not only of the wishes of the people and the previously expressed views of the members, but even of the common decencies of parliamentary procedure; but enough has been said to establish clearly my point that the people's interests and influences were set aside and ignored; while those of a rich and powerful corporation were carefully subserved and followed.

In the absence of any demand for leasing the gas works, we are led to ask if there was such a crisis in the management as to make an immediate sacrifice of millions of dollars essential? It was brought out before the subcommittee at a public hearing that the city was manufacturing gas at a profit. One speaker, Col. John I. Rogers, himself the president of a large gas company, although as a Philadelphian opposed to the city parting with its works, demonstrated to the satisfaction of every reasonable man that in 1896 the plant yielded a net profit of \$510,806. He reached this conclusion after he had carefully analyzed the reports of the bureau. To quote his own words: "Now let me recapitulate: Here is what these works do, and I am considering only the running business of 1896. The profits, as I have read, according to the report of the bookkeepers in the bureau, were \$352,986, to which should be added the gas furnished gratis to the city.

"I know that the lease proposes that this should be done too ; but in order to find the value before we consider anything else, we will do what any business man would do—show what I can make before I give away anything. Because I give away something, it does not alter the fact that I made it ; therefore it is right to add to the \$352,986, \$674,000 for 674,000,000 cubic feet of gas used by the city for public lighting. But I understand, Mr. Chairman, that you asked certain gentlemen if they did not think that the city should only claim credit for the actual cost of manufacturing this amount of gas and not at \$1 per 1000 cubic feet, and that they said yes. It is hard to tell what it did cost the city, but, reading from Councilman W. H. Brown's calculation, it cost about 60 cents. If so, even then the profit would be \$892,213 on last year's (1896) miserable basis, with a miserable plant, with miserable pipes and everything else. Another question which I believe you asked was whether water rent should not be charged, and should not interest on the plant be charged, and the answer was yes. The water rent should be charged according to cost. I know the director reported that the water rent would be \$11,756. If anybody but this city owned this property, and they had to pay that much water rent, they would promptly build artesian wells or pump from the river.

"Now the taxes. These amount to \$69,652 on a valuation of \$3,765,000. This is pretty large. There is a big farm at Point Breeze, unnecessary. You can build a water plant for 20,000,000 cubic feet a day on about 500 square feet, and the taxes on that would not be very much.

"Interest on the plant. That is the hard thing to calculate. What is the plant? It is the generators, pipes, etc., not the franchises. The mayor and others have said it is worth \$30,000,000. Mr. David H. Lane said in 1893, before council's committee, and Mr. Lane is supposed to represent the Philadelphia Gas Improvement Company—I suppose he was not attending the meeting out of mere curiosity—he said the plant is not worth over \$3,000,000. I do not think anybody would give for the plant, as it stands outside of the franchises, over that ; but we will call it

\$5,000,000 with the old pipes, etc. We will charge 6 per cent. Does anybody doubt but what we could borrow that at 3 per cent.? Call it 6 per cent., however. Add the \$300,000 to the taxes and water rent which, taken out of the gross profit, would still leave a net profit of \$510,806. Pretty good for a bad plant!"

Neither an unmistakable mandate from the people nor public demand nor an unexpected crisis in the management of the works being responsible for the change of front on the part of councilmen, what was the motive which led seventy-nine common councilmen and twenty-three select councilmen to determine to hand over one of the city's most valuable assets to a rich corporation making the least advantageous offer? Were there any arguments brought out in the debate which were so powerful as to overcome previously formed judgments and to lead the members to defy public opinion? None were made in public. Indeed, the conduct of the majority was such as to lead one councilman on the last day of the debate in the lower chamber to say: "I arise to make a demand. I want to demand, from those who vote for this lease, that arguments in its favor, that figures and facts, shall be presented explaining why this bill shall be passed. They have not yet presented a single fact or a single reason for the leasing of the gas works. They have given no intimation why they favor it from a business point of view. That is what they promised, and that is what we want. We want to understand why they want us to vote to give this property away, and I insist that they shall present their facts, if they have any."

Nor were any such facts at that or at any other time forthcoming. Every reasonable demand on the part of the minority faithful to the city's interest was met with a stolid and stubborn silence, and, as I have already stated, the previous question, so that the citizens of Philadelphia had presented to them the unusual spectacle of their sworn representatives determining in two sessions of common council and one session of select council a question involving millions of dollars, extending over a generation, and touching the comfort and convenience of a community of a million and a quarter of inhabitants, and one to which, according

to its own admissions, the United Gas Improvement Company had given several years' consideration and upon which its engineers had been at work for months.

The councilmen were not the only ones, however, connected with the city government who showed this unexpected and as yet publicly unexplained change of official opinion and reversal of attitude on a public question. Director of Public Works Thomas M. Thompson in his last annual report, dated January 21, 1897, said in reference to the improvements introduced at the Point Breeze plant:

"The introduction of these machines will result in a great saving in the labor account. Four turn-tables for the convenience of the charging and discharging machines. With the increased manufacturing facilities at the Point Breeze works we require an enlargement of the coal shed for the reception of coal by rail. When this is provided we will have a thoroughly equipped plant at these works, equal, if not superior, to any in the United States.

"The increased amount of leakage or unaccounted for gas each year is due to the insufficient size of many of the distributing mains, which are extended in length from year to year, as the growth of the city makes it necessary to supply gas in new territories. To force the gas through the small mains and reach these extreme distances requires greater pressure at the works or holder stations."

Further on in the same report he says:

"The gas manufactured by the Philadelphia gas works is of as good, if not better, quality than that made by any gas works in the United States; but when we are compelled to force gas by great pressure through many miles of small-sized or inadequate mains, the candle power will necessarily be reduced by reason of the excessive friction to which the gas is subjected, thereby robbing it of the hydro-carbon, which is its light-giving quality; hence the complaint of poor gas.

"The fault is not in the quality of the gas manufactured, but in the system of distribution; this was again demonstrated dur-

ing the past year. At the period of heaviest consumption it was utterly impossible to meet the demands made upon the distributing system in West Philadelphia, Chestnut Hill, and other outlying districts; the service was absolutely inadequate to furnish anywhere near a satisfactory quantity of gas at the time of night when it was most needed."

The director made this statement in face of the fact that during the past ten years the appropriations for extensions have been as follows:

1888	\$326,000.00	1893	\$250,485.16
1889	316,551.57	1894	375,000.00
1890	318,905.49	1895	315,102.80
1891	331,550.59	1896	248,601.81
1892	178,523.40		

and appropriations for the purchase and laying of pipes for distribution since 1890^{*} as follows:

1890	\$ 89,348.12	1894	\$132,300.00
1891	96,000.00	1895	130,000.00
1892	100,000.00	1896	122,600.00
1893	115,000.00		

He made this statement in the face of the condition of the facts concisely stated by one of the speakers before the subcommittee: that out of the 1239 miles of pipe, 450 miles, or more than $33\frac{1}{3}$ per cent., have been built during the past twelve years, and that they are presumed to be well built, of the proper sort of material, and that during the same period large sums have been appropriated for repairs, and it is only fair to assume that some portions of it have been, or at least ought to have been, used in keeping the other pipes in good condition.

He made his statement in view of the fact, which has been declared on more than one occasion by members of councils and stands today, so far as I have been able to ascertain, uncontradicted, that the bureau has commenced to build mains and pipes

^{*} Prior to this date the appropriations for this purpose were included in another item, and cannot be definitely determined.

from the extremities toward the holders rather than from the holders toward the extremities, so that, if the appropriation gave out for a particular line of pipe, it would have a blind beginning and a blind ending.

During the discussion of the United Gas Improvement Company's ordinance the Municipal League published the following as part of a leaflet :

"When was Director Thompson right—before or after the United Gas Improvement Company made its proposition ?

BEFORE.

"On May 23, 1896, the *Ledger* quotes Director Thompson as saying in reference to the proposition made by the Baker syndicate : 'I am prepared to stand by all the statements I have ever made regarding this matter This syndicate says it will spend \$5,000,000 to improve the works and furnish gas at the present rate. If I can get \$1,500,000 to spend on improvements, I will give the citizens of Philadelphia as good gas as the syndicate can, and better, for 75 cents per 1000.

"'The city does not want a profit from its gas works. Our object is to furnish citizens with good gas at the lowest possible figure. The price was a few years ago \$1.50 per 1000. This was reduced to \$1.00 per 1000 cubic feet. With the proper equipment, I can give excellent gas for 75 cents. I am certainly opposed to the city parting with her gas works and shall do all in my power to prevent their being sold or leased to private parties.'

AFTER.

"On October 6, 1897, before the subcommittee having the proposed gas lease under consideration, Director Thompson presented a report through his assistant to the effect that the sum of \$4,864,300 would be necessary to secure an economical manufacture and proper distribution of gas for a period of three years from January 1, 1898. He estimated there would be required for

Mains, - - - - -	\$1,752,300
Holders, - - - - -	230,000
Services, - - - - -	550,000
Meters, - - - - -	375,000
Water gas plant at Point Breeze, - - - - -	800,000
General improvements, - - - - -	357,000
Increase of holder capacity at Twenty-second and Market, - - - - -	500,000
Adding 3,000,000 cubic feet's capacity to Twenty- fifth ward gas works, - - - - -	300,000
	<hr/> \$4,864,300

Director Thompson has not offered to the public any satisfactory explanation of his change of official opinion and stands in the same relative position as the councilmen who voted to give the United Gas Improvement Company ten millions of dollars' additional profit. The councilmen, however, and the director of public works, are not alone in their sudden unexpected and unexplained change of base. They have for their companion no less personage than the mayor of the city, the Hon. Charles F. Warwick.

In his annual message, dated April 6, 1896, Mayor Warwick said :

"In my inaugural address I stated that the gas works should never pass from the absolute control and ownership of the city. The plant is too valuable, and history shows that whenever such a property passes into private hands, it in time becomes an extortionate monopoly. During my administration I have seen nothing that tends to change my opinion as once expressed. In fact, I have been stronger in my belief that the gas works should never be sold."

In his last annual message, that of April 5, 1897, he said : "The gas manufactured by the Philadelphia gas works is equal in quality with that made in any city of the Union. In other words, the gas in the holder, before distribution, is a good illuminant of the necessary candle power, but unfortunately, by reason of our method of distribution, when it reaches the consumer it has lost much of its illuminating quality. This matter

of distribution should be taken up and considered with the greatest care, and perhaps it would be advisable under all the circumstances to have an estimate made of the cost that would be involved in effecting the desired changes.

"The gas works are a most valuable asset and should never pass from the absolute control of the city. The plant is valued at about \$30,000,000, close to the actual debt of the city at this time, and money will be well expended if the changes suggested are carried out."

In less than eight months from this last official utterance, Mayor Warwick attached his signature to the United Gas Improvement Company's ordinance, which, as we have already seen, is \$10,000,000 less advantageous to the city than the Baker proposition, and he signed the ordinance without granting the request of those opposed to the lease for an opportunity to appear before him and give voice to their objection, a course of procedure heretofore unheard of in the city of Philadelphia.

After signing the ordinance he gave out an interview, in the course of which he said: "It is a grave question in my mind whether or not any municipality should operate any manufacturing industry." No comment is necessary when this statement is compared with those made by him in his annual messages of 1896 and 1897.

This conspicuous "modern instance" is not a confession that municipal ownership is a failure, for if there was one thing brought out clearly and distinctly, it was that, with all the drawbacks and with all the political management, the Philadelphia gas works had yielded a profit and had resulted in reduced rates of gas. As the gas committee of the Municipal League in one of its published statements on the question said:

"The league must again call attention to the possibilities of further reductions in the price of gas under municipal ownership and the impossibility of any very considerable reduction under the United Gas Improvement Company's proposition. In the period from 1867 to 1877 the price was reduced under municipal operation from \$3.00 per 1000 cubic feet to \$2.15; in the

period of 1877 to 1887 from \$2.15 to \$1.60; and during the last ten years from \$1.60 to \$1.00. If this result has been accomplished in the past by the city, is it not fair to assume that still further reductions are still possible, especially as the discussion of the whole question has pointed out the weak spots in our present administration of the gas works and indicated where improved methods can be introduced to advantage? And it must also be borne in mind that in cities where private corporations have been supplying the gas there have been practically no reductions in the price of gas at all commensurate with those made in Philadelphia.

"If, as it is claimed, the city has no funds sufficient to make the improvements indicated as necessary by Director Thompson, in April, 1896, the city can dispose of its Ninth Ward station, which it has been very generally agreed can now be dispensed with, and which would probably yield a million dollars. Additional sums can be secured during the next three or four years by terminating the contract with the Philadelphia Gas Improvement Company for water gas at 37 cents per 1000 cubic feet and accepting the properly conditioned and amply protected offer of Col. John I. Rogers to supply water gas at 25 cents per 1000 cubic feet.

"This would represent a yearly saving of about \$250,000. Add to this the economies which it has been satisfactorily demonstrated can be made under efficient business management in the matter of coal and other supplies, and in the disposal of residuals, and by dispensing with those men who are only employed for political reasons and not because they are needed (because we have the sworn testimony of experts of the highest character that the labor account is three times what it should be according to the general experience of gas manufacturers), and we have the assurance of a profitable and satisfactory adjustment of the whole problem, according to the admissions of the advocates of the United Gas Improvement Company's ordinance."

This "modern instance" is, however, an illustration of how

rich and powerful corporations are able in legislative bodies to defy public sentiment and overcome official judgment. Surrounding the committee rooms and council chambers, at all the meetings when the United Gas Improvement Company's ordinance was under consideration, was a band of the shrewdest and most skillful lobbyists, and at one time some of them even had the audacity to enter upon the floor of councils and direct their fight for the ordinance from that point of vantage. This state of affairs became so offensive that even the most defiant members of councils voted to exclude all but members and ex-members from the floor, but this did not prevent the lobbyists and legislative agents of the company from carrying on their work in the adjoining committee and cloakrooms.

When the vote in common council was announced, the audience in the galleries greeted the result with groans and hisses and cries of "robbers" and "perjurers," and at a public indignation meeting held on the evening of November 12, the day Mayor Warwick signed the bill, the mention of every man who had voted for the ordinance was received with hisses and the most marked evidences of disapproval; and political and semi-political clubs have since been busy dropping from membership those who voted for the lease. I mention these instances to show the feeling of the people on the subject; and yet, despite the public protests, and despite the public indignation, and despite the very much better offers of competing companies, the United Gas Improvement Company, controlled as it is by those who have already secured the street railway, electric lighting, and gasoline franchises and privileges, was able to carry the day. And yet there are some people who wonder at the prevailing discontent among the poorer classes and the growth of that sentiment for which Mr. Bryan stands.

CLINTON ROGERS WOODRUFF.

PHILADELPHIA.